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Chairman: Mr. Yousfi ..... (Algeria)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Saha

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Strengthening the Office of Internal Oversight Services: Revised estimates to the programme budget for the biennium 2006-2007 under sections 28A, Office of the Under-Secretary-General for Management, 29, Internal oversight, and 35, Staff assessment

Strengthening of the Office of Internal Oversight Services: Funding arrangements

The meeting was called to order at 10.10 a.m.

Organization of work (A/C.5/61/L.47)

1. **The Chairman** drew attention to the proposed programme of work for the second part of the resumed session and to the note by the Secretariat on the status of preparedness of documentation (A/C.5/61/L.47).

2. **Mr. Hussain** (Pakistan), speaking on behalf of the Group of 77 and China, said that the Committee's full agenda pointed to the need for effective time management and coordination and that the Group welcomed the designation of coordinators by the Bureau. However, the status of documentation remained cause for concern. The late submission of documentation seriously undermined the quality of decision-making. It constrained large groups such as the Group of 77 to undertake effective coordination. Smaller delegations were unable to read the voluminous reports and seek guidance from their capitals in the short time allotted, thereby depriving the Committee of their valuable inputs. Current document-issuance practices were unacceptable and every effort must be made to respect the six-week rule established by the General Assembly. The Secretary-General and the Chairman of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) should give serious consideration to that long-standing concern.

3. Owing to the submission of additional documentation, the Committee might be unable to keep to its timetable for the consideration of reports on important reform issues such as human resources management, procurement and information and communications technology. Failure to consider those reports would not only hinder further reform in those areas but also add to the workload in a budget year. Lastly, while the Group of 77 and China would approach all items on the agenda with an open mind, its priority during the second part of the resumed session would be the adoption of the peacekeeping budgets. The consideration of other issues should not have an impact on the approval of those budgets.

4. **Mr. Woeste** (Germany), speaking on behalf of the European Union; the candidate countries Croatia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process countries Albania, Montenegro and Serbia; and, in addition, Iceland, Moldova and Ukraine, echoed the concerns expressed by the representative of Pakistan regarding the late issuance of documentation, stressing that the timely availability of reports was vital to the work of the Fifth Committee.

5. The second part of the resumed session was primarily devoted to the financing of peacekeeping operations. The European Union had always attached great importance to peacekeeping as a core function of the United Nations, and would pursue its efforts to ensure that peacekeeping continued to be effective and to serve the interests of international peace and security. However, efficient budgeting and sound management must go hand in hand with Member States' political and financial commitments. The European Union would consider the budgets of the peacekeeping missions with a view to providing them with adequate financing, and also hoped that the Committee would reach agreement on a draft resolution on cross-cutting issues.

6. The successful conclusion of the Committee's deliberations on governance and oversight was also a priority. In particular, early decisions were needed on the terms of reference and operational independence of the Independent Audit Advisory Committee (IAAC). With regard to the Secretary-General's proposals to strengthen the Organization's capacity to manage and sustain peacekeeping operations, he looked forward to receiving the relevant reports at the earliest opportunity. The political will of the General Assembly, as expressed in resolution 61/256, of 15 March 2007, must be translated into sound reform measures.

7. **Mr. Lara-Peña** (Dominican Republic), speaking on behalf of the Rio Group, endorsed the proposed programme of work but expressed concern about the late issuance of documentation. Smaller delegations were particularly affected by that situation because they were unable to consider reports at short notice. He hoped that the appropriate remedial measures would be taken.

8. Peacekeeping budgets had reached unprecedented levels, placing a considerable burden on Member States. While reaffirming its commitment to providing adequate financing for United Nations peacekeeping operations, the Rio Group stressed the need to ensure that proposed expenditures were appropriately justified and that resources were used as efficiently as possible. In that connection, the Committee's deliberations on

cross-cutting issues would be particularly important. Although the specific realities of each operation must be borne in mind, the Organization must develop coherent and standardized peacekeeping policies.

9. The Rio Group reiterated its resolve to eliminate sexual exploitation and abuse by United Nations peacekeeping personnel and to ensure that offenders were punished. The General Assembly had stressed the need for a zero-tolerance policy in that regard, and the Group therefore supported the relevant measures introduced by the Secretary-General. During the Committee's forthcoming consideration of that question, the Group would be devoting particular attention to the implementation of the proposals and recommendations made by the working groups of the Special Committee on Peacekeeping Operations.

10. The situation in Haiti was of particular concern to the Rio Group. As had been pointed out at its thirteenth Ministerial Meeting, held in March 2007, short-, medium- and long-term cooperation must be enhanced in order to rebuild Haiti's social and economic infrastructure. Peace and security and the rule of law were fundamental to the establishment of strong State institutions, a reliable legal system, respect for human rights and democratic governance. The United Nations Stabilization Mission in Haiti (MINUSTAH) had played and should continue to play a vital role in that regard. Security Council resolution 1743 (2007) set out a clear mandate for the Mission, which should be provided with sufficient resources for the purposes of, inter alia, reforming the justice system, building institutional capacity, strengthening public information services and implementing quick-impact projects.

11. Turning to the updated terms of reference for IAAC, he reiterated his support for a coherent oversight system that would ensure transparent management and accountability. The final terms of reference should include criteria relating to geographical representation and rotation, and the process of electing members of IAAC should be handled by the General Assembly rather than by external bodies.

12. On the subject of the International Research and Training Institute for the Advancement of Women (INSTRAW), he drew attention to the mandate contained in General Assembly resolution 60/229 and stressed the need to provide the resources required for the Institute's long-term survival. Lastly, with regard to the restructuring of the Department of Peacekeeping Operations, the Rio Group stood ready to consider the relevant proposals of the Secretary-General with a view to improving and modernizing the Organization's operational capacity in the field.

13. **Mr. Wallace** (United States of America) said that, at a time of rapidly escalating expenses, the Organization's resources must be used in the most effective and efficient way possible. To that end, and in order to ensure the continued credibility of the Fifth Committee and of the United Nations as a whole, Member States must demonstrate a renewed commitment to the reform agenda set out in the 2005 World Summit Outcome.

14. The overall budget for current peacekeeping operations currently stood at a record $5.4 billion per year, and possible new missions in Darfur, Chad and the Central African Republic would drive it up even further. Given such unprecedented costs, the management and organization of each peacekeeping mission must be reviewed to ensure that resources were being used optimally. The Secretary-General's detailed proposals on strengthening the Organization's capacity to manage and sustain peacekeeping operations must be given careful consideration, particularly since the recent surge in such operations had placed a great burden on many departments, including the Department of Peacekeeping Operations. While he understood the need to support those responsible for peacekeeping at Headquarters and in the field, he also expected strong leadership and management, more efficient and effective implementation of mandates and greater accountability. The Organization must ensure that it had the human and financial resources necessary to meet current and future peacekeeping challenges.

15. He underscored the importance of adopting a comprehensive draft resolution on cross-cutting issues to reflect the progress made in addressing important thematic issues applicable to all peacekeeping missions, such as the management of ground and air operations, training, the budget preparation process and the conduct of United Nations personnel.

16. Turning to the other issues on the Committee's agenda, he welcomed the long-postponed introduction of the Secretary-General's reports on updated terms of reference for IAAC and on the strengthening of the Office of Internal Oversight Services (OIOS). Since the General Assembly, in its resolution 61/245, had already

endorsed the conclusions and recommendations of ACABQ on the comprehensive review of governance and oversight, he urged all Member States to take prompt action to implement them. Effective oversight was crucial to the future success of the United Nations, and OIOS must therefore be sufficiently independent to ensure its ability to promote the responsible administration of resources, a culture of integrity and accountability and improved programme performance.

17. **Mr. Saha** (Chairman of the Advisory Committee on Administrative and Budgetary Questions) assured all regional groups that the Advisory Committee was cognizant of its responsibility to assist the Fifth Committee to review requests made by the Secretary-General. However, its deliberations were greatly hampered by the late submission of documentation, and it was often forced to work with unedited advance copies. The Advisory Committee had addressed the issue of documentation in its general report on peacekeeping operations (A/61/852), which would be introduced in due course.

18. **The Chairman** said he took it that the Committee wished to approve the proposed programme of work on the understanding that adjustments would be made, where necessary, in the course of the session.

19. *It was so decided.*

Agenda item 106: Appointments to fill vacancies in subsidiary organs and other appointments (*continued*)

(b) Appointment of members of the Committee on Contributions (*continued*) (A/61/102/Add.1)

20. **The Chairman** drew attention to a note by the Secretary-General (A/61/102/Add.1) informing the General Assembly that, following the resignation of Ms. Sujata Ghorai (Germany) from the Committee on Contributions effective 14 March 2007, the Government of Germany had nominated Mr. Thomas Thomma to fill the resulting vacancy. The candidature of Mr. Thomma had been endorsed by the Group of Western European and Other States. If he heard no objection, he would take it that the Fifth Committee wished to recommend to the General Assembly the appointment of Mr. Thomma as a member of the Committee on Contributions for a term of office beginning on the date of appointment by the General Assembly and ending on 31 December 2008.

21. *It was so decided.*

Agenda item 116: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Agenda item 117: Programme budget for the biennium 2006-2007 (*continued*)

Agenda item 122: Scale of assessments for the apportionment of the expenses of the United Nations (*continued*)

Agenda item 123: Human resources management (*continued*)

Agenda item 127: Report on the activities of the Office of Internal Oversight Services (*continued*)

Agenda item 132: Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations (*continued*)

Investing in the United Nations: for a stronger Organization worldwide: detailed report: Updated terms of reference for the Independent Audit Advisory Committee (A/61/812 and A/61/825)

Strengthening of the Office of Internal Oversight Services: Revised estimates to the programme budget for the biennium 2006-2007 under sections 28A, Office of the Under-Secretary-General for Management, 29, Internal oversight, and 35, Staff assessment (A/61/610 and A/61/880)

Strengthening of the Office of Internal Oversight Services: Funding arrangements (A/61/810 and A/61/880)

22. **Mr. Sach** (Controller) introduced the report of the Secretary-General on updated terms of reference for the Independent Audit Advisory Committee (A/61/812), a matter that had been under active discussion since the 2005 World Summit. The updated terms of reference had been prepared with due regard to General Assembly resolution 61/245 and the recommendations of ACABQ contained in document A/61/605, and reflected the purely advisory role of IAAC and its responsibility to advise the General Assembly on issues it considered appropriate concerning the scope, content and outcome of the work of audit entities. ACABQ had recommended that IAAC should be composed of 5 members rather than 10, that the General Assembly should develop procedures to verify the qualifications of prospective members and

that the IAAC secretariat, like those of ACABQ and the International Civil Service Commission (ICSC), should be autonomous.

23. The updated terms of reference were the result of consultations undertaken with OIOS and the Board of Auditors and reflected comments made by Member States. Although they were more succinct than previous versions, they continued to reflect the key tasks of an audit committee.

24. The report also contained a proposal to facilitate the selection of appropriate IAAC members. A broad pool of candidates would be identified through the solicitation of applications from individuals, recommendations from professional accountancy or audit institutions and nominations from Member States. Candidates' technical skills would then be assessed by an international independent professional organization with experience in such matters, and Member States would make the final selection of candidates, with due regard to geographical representation, by means of an election process. That proposal struck an appropriate balance between the need to ensure the highest level of technical competence and the need to ensure that IAAC was fully representative of the membership of the General Assembly. Both criteria — competence and representativeness — must be fully satisfied to ensure the full legitimacy and utility of IAAC.

25. In the interest of promptly implementing the General Assembly's decision to establish IAAC, he invited the Fifth Committee to take a decision, at the current session, on that entity's terms of reference and the modality for appointing its members. Access to technical advice from independent experts was essential to help Member States as a whole exercise their oversight role, which was increasingly necessary in the light of the planned adoption of the International Public Sector Accounting Standards (IPSAS) and of the forthcoming initiatives to strengthen accountability, adopt an internal control framework, implement risk management on an enterprise-wide basis and move towards better results-based management. Once established, IAAC would help the General Assembly to ensure full coherence between the internal and external audit functions and would also strengthen the Assembly's capacity to use auditing expertise in the interests of the better overall governance of the Organization, which would be of benefit to all Member States.

26. Turning to the Secretary-General's report on the strengthening of the Office of Internal Oversight Services: Revised estimates to the programme budget for the biennium 2006-2007 under sections 28A, Office of the Under-Secretary-General for Management, 29, Internal oversight, and 35, Staff assessment (A/61/610), he said that the revised estimates realigned resources in line with an earlier OIOS report on proposals for strengthening OIOS (A/60/901).

27. In order to strengthen various components of OIOS, a number of general temporary assistance positions, which had previously been approved in the context of the revised estimates arising from the implementation of the 2005 World Summit Outcome, had been proposed for conversion to established posts. In accordance with the recommendations stemming from the review of governance and oversight, it had been proposed that the management consulting function should be transferred from OIOS to an appropriate office within the Secretariat. The adjustments related to that transfer were reflected in the report. It was expected that responsibility for the preparation of the biennial programme performance report of the Secretary-General would also be transferred to another office within the Secretariat. Detailed arrangements for that transfer would need to be addressed in the context of the outcome of the results-based management review requested in General Assembly resolution 61/245.

28. The net result of the revised estimates would be an additional 40 posts under section 29, Internal oversight, together with a transfer of management consulting posts. Requirements were to be met primarily through the conversion of general temporary assistance resources; consequently, the total additional appropriation sought and detailed in the report amounted to $1.3 million.

29. The Secretary-General's report on the strengthening of the Office of Internal Oversight Services: Funding arrangements (A/61/810) had been prepared pursuant to Assembly resolution 61/245, in which the Assembly had endorsed the conclusions and recommendations contained in the Advisory Committee's report on the comprehensive review of governance and oversight within the United Nations and its funds, programmes and specialized agencies (A/61/605). In paragraph 81 of that report, the Advisory Committee had recommended that the Secretary-General should be requested to prepare a

proposal for revised funding arrangements for OIOS, drawing upon experience gained on cost-sharing mechanisms currently in place.

30. In accordance with that recommendation, the report currently before the Committee set out revised funding arrangements for OIOS, bearing in mind the need to ensure its operational independence. Under the revised arrangements, several sources of funding, including the regular budget, the support account for peacekeeping operations, the budgets for the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia, the capital master plan budget and centrally administered extrabudgetary programme support accounts, would be consolidated under a gross budget that would be apportioned to the respective funds on a net basis. Other sources of extrabudgetary non-assessed funding from the Office of the United Nations High Commissioner for Refugees, the Office of the United Nations High Commissioner for Human Rights, the United Nations Environment Programme, the United Nations Office on Drugs and Crime, the United Nations Human Settlements Programme, the International Trade Centre (UNCTAD/WTO), the United Nations Framework Convention on Climate Change and the United Nations Joint Staff Pension Fund could not be apportioned under applicable decentralized administrative arrangements and would be treated and presented separately within the budget document as extrabudgetary to the gross consolidated budget.

31. It had also been proposed that, in the context of the biennial resolution on unforeseen and extraordinary expenditures, authority should be provided to enter into commitments not to exceed a total of $8 million in any one year of the biennium to meet unforeseen expenses for oversight services relating to emerging risks, in particular those related to audits and investigations. The revised arrangements should be implemented with respect to the budget for the period 2010-2011; the experience gained during that period would be closely monitored and reported to the General Assembly at its sixty-sixth session.

32. **Mr. Saha** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of ACABQ on updated terms of reference for IAAC (A/61/825), said that, in general, the terms of reference for IAAC appeared to be audit-centric. Given that IAAC was to be charged with reviewing the budget of OIOS, the terms of reference and the qualifications of members should reflect the full range of OIOS functions.

33. Under the Financial Regulations and Rules, it was fully within the purview of the Board of Auditors to advise the General Assembly on the integrity of the audited financial statements of the United Nations. ACABQ therefore shared the Board's view that the paragraph of the terms of reference bestowing that function on IAAC should be deleted. Instead, the wording should be revised so as to state that IAAC could advise the Assembly on the operational implications for the United Nations of the trends and issues apparent in the Organization's financial statements.

34. ACABQ also recommended that IAAC should meet up to four times per year, that its members should receive per diem and compensation for travel and that the terms of membership of the initial five members should be determined by the drawing of lots.

35. As to resource requirements, ACABQ recommended approval of one P-5 and one General Service post for the IAAC secretariat. It recommended against the proposed $50,000 in consultancy fees to assist in the establishment of IAAC because, in its view, that task should be handled by the secretariat and the members of IAAC themselves.

36. Turning to the ACABQ report on the strengthening of OIOS (A/61/880), he said that paragraph 69 of the Advisory Committee's report on the comprehensive review of governance and oversight (A/61/605) set out the point of departure for the Advisory Committee's analysis of the Secretary-General's proposals, which was that OIOS was an internal oversight body, was part of the Secretariat and discharged its mandates under the authority of the Secretary-General. In that same paragraph, the Advisory Committee had stressed the need for OIOS and management to cooperate. In paragraph 64 of the same report, the Advisory Committee had urged the Secretary-General and the Under-Secretary-General for Internal Oversight Services to give careful consideration to suggestions made by the governance review's Steering Committee for improving the working relationship between OIOS and management. In that connection, the Advisory Committee recommended that the Secretary-General, in consultation with OIOS, should provide information on

the steps taken to the General Assembly at its sixty-second session.

37. With respect to the revised estimates relating to the programme budget for the biennium 2006-2007, implementation of the Advisory Committee's recommendations would not require any overall additional appropriation under the programme budget for 2006-2007. Under section 29, Internal oversight, the Advisory Committee was recommending, at the current stage, the conversion to established posts of 25 general temporary assistance positions (9 posts for the Audit Division and 16 posts for the Investigations Division) out of the 39 that had been proposed. The remaining positions would be retained as general temporary assistance and their proposed establishment as posts and redeployment to other functions would be considered in the context of the proposed programme budget for the biennium 2008-2009. Taking into account the current level of expenditure, no additional resources would be required under section 29.

38. The Advisory Committee recommended approval of the additional resources requested under section 28A, Office of the Under-Secretary-General for Management, which reflected the transfer of the management consulting function from section 29. The additional resources under section 28A would therefore be offset by a corresponding reduction under section 29. As no net addition in terms of staffing resources was involved, no changes would be required in the resources under section 35, Staff assessment, or under income section 1, Income from staff assessment.

39. With regard to the revised funding arrangements for OIOS, the Advisory Committee recommended that the arrangements set out in annex I to the Secretary-General's report (A/61/810) should be reformulated to take into account its observations and recommendations, and that such reformulated arrangements should be presented to the General Assembly for implementation with respect to the budget for the period 2010-2011.

40. The Advisory Committee did not see the need for a mechanism to address emerging risks, as proposed in the Secretary-General's report. Existing budgetary procedures, including the provisions for the utilization of the contingency fund, as contained in General Assembly resolutions 41/213 and 42/211, in conjunction with the new budgetary arrangements, should be sufficient for managing additional needs.

41. **Ms. Ahlenius** (Under-Secretary-General for Internal Oversight Services) recalled that, following the submission of the report of the Steering Committee for the Comprehensive Review of Governance and Oversight within the United Nations and its Funds, Programmes and Specialized Agencies (A/60/883 and Add.1 and 2), she had presented her proposals for strengthening OIOS in December 2006 (A/60/901).

42. The proposed changes to the OIOS funding process were designed to ensure the operational independence of the Office, particularly with respect to the Department of Management and its involvement in the OIOS budget process. In its resolution 48/218 B, the General Assembly had established that the Office should exercise operational independence under the authority of the Secretary-General in the conduct of its duties. Thus, "operational independence" did not imply that OIOS was an autonomous body; it operated under the same regulations and rules as the rest of the Secretariat and was subject to the administrative authority of the Secretary-General.

43. The proposed changes were also designed to give OIOS the necessary flexibility to prioritize oversight activities based on the Office's assessment of risk rather than the provision of funding by the entity concerned. Such a risk-based approach was required by international standards and served the best interests of the Organization by ensuring that oversight resources were used efficiently.

44. To ensure operational independence, the funding process should provide for a separation between the establishment of a risk-based oversight workplan and associated budget, which would be the responsibility of OIOS with examination by IAAC, and the apportionment of the budget approved by the General Assembly, which would be the responsibility of the Department of Management.

45. The proposals for strengthening OIOS were based on General Assembly resolution 48/218 B and focused on all aspects of the OIOS mandate. To enhance the quality and coverage of evaluation and inspection functions, the annual number of evaluation and inspection reports should be increased from three to four reports each to about eight to ten reports each.

46. With respect to monitoring, OIOS would concentrate on reviewing the implementation of programme monitoring in the departments, identifying weaknesses and strengths in the development of the

logical framework, determining the timeliness and quality of data collection and analysis and ensuring the maintenance of standards of reliability and accuracy.

47. Unfortunately, the Steering Committee's report had not adequately addressed the investigation function of OIOS. She had therefore commissioned a separate comprehensive review of the functions, structure and work processes of the OIOS Investigations Division with a view to bringing the OIOS investigation function up to world-class standards.

48. She had taken a prudent approach to strengthening OIOS, given that the exercise entailed a fundamental rethink of the Office's approach to mandate delivery and that it represented a significant component of the Organization's reform package. The strengthening process must involve a review of adherence to standards and best practices in terms of processes, quality, skills and technology. Efforts undertaken to that end by the Internal Audit Division were already bearing fruit.

49. **Mr. Hussain** (Pakistan), speaking on behalf of the Group of 77 and China, reiterated his support for the establishment of a transparent and effective system of accountability and responsibility, but reaffirmed the role of the General Assembly as the principal oversight and policymaking body of the United Nations. Furthermore, since the United Nations was an intergovernmental organization, the creation of new structures and institutions was a prerogative of its Member States.

50. The Group of 77 and China trusted that the establishment of IAAC would contribute to efforts to improve the Secretariat's accountability to Member States and create a comprehensive management accountability and oversight framework. The General Assembly played a key role in the process of establishing IAAC, defining its terms of reference, verifying the qualifications of prospective members and determining its reporting line. Since the United Nations had the necessary technical expertise to perform those functions, none of them should be outsourced to other institutions. In addition, the principle of equitable geographical distribution must govern the composition of IAAC.

51. IAAC should not be assigned anything other than a strictly advisory role, and the Group would continue to oppose attempts to use it to influence or undermine the oversight authority of the General Assembly, the Board of Auditors or OIOS. IAAC should not have any operational responsibilities relating to the budget or any other substantive functions of OIOS or the Board of Auditors, whose terms of reference were set out in the relevant General Assembly resolutions and the Financial Regulations and Rules.

52. With regard to the strengthening of OIOS, there was a need for enhanced cooperation between the Secretary-General and OIOS within the framework of their respective mandates. While the Administration had a responsibility to develop and implement an internal control framework and the mechanisms needed to assess and manage risks, OIOS must provide objective oversight in support of that process. He looked forward to receiving further information on the steps taken to improve that relationship.

53. In accordance with General Assembly resolution 48/218 B, OIOS was part of the Secretariat and exercised operational independence under the authority of the Secretary-General. The Group of 77 and China emphasized that operational independence was essential for good governance and oversight and stood ready to discuss the establishment of an appropriate mechanism to achieve that objective. While the Group supported the transfer of the management consulting function, responsibility for preparation of the biennial programme performance report and the related posts from OIOS to the Department of Management, it did not see any linkage between the transfer of those resources and the additional posts requested to strengthen the inspection and evaluation functions. It therefore looked forward to receiving further clarification of those proposals.

54. Under the proposed new funding arrangements for OIOS, IAAC would examine the basis for the OIOS workplan and review its budget. The extent to which the Administration should be involved in the OIOS budget once IAAC had begun to exercise that function should be carefully considered. Additional information should be provided on the use of the contingency fund to meet unforeseen expenses. The Group of 77 and China agreed with ACABQ that the Secretary-General should submit a revised report to the Assembly at a future session.

55. In closing, he stressed the importance of strengthening the Organization's monitoring and evaluation functions. The General Assembly had requested the Secretary-General to ensure more

extensive and uniform use of self-evaluation at the programme and subprogramme levels and to develop and implement, in consultation with the United Nations System Chief Executives Board for Coordination, common professional standards and methodologies for self-evaluation throughout the United Nations system. He would be grateful for a status report on efforts to respond to that request.

56. **Mr. Woeste** (Germany), speaking on behalf of the European Union; the candidate countries Croatia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process countries Albania, Montenegro and Serbia; and, in addition, Iceland, Moldova, Norway and Ukraine, said that strengthening oversight had been a priority of the European Union for some time. An effective, respected oversight function comprising audit, inspection, evaluation and investigation served the Organization's own interests and enhanced its credibility.

57. The updated terms of reference for IAAC reflected the discussions held with the Secretariat and regional groups on the establishment of a body to assist the General Assembly in discharging its oversight responsibilities. To ensure that the body established added real value to the oversight process, the membership criteria must be strict and procedures for determining whether prospective members met those criteria must be fail-safe.

58. The question of funding arrangements for OIOS was closely related to the establishment of IAAC. The European Union stood ready to consider the relevant proposals and recommendations with a view to strengthening the operational independence of OIOS. The role of IAAC in examining the Office's workplan and reviewing its budget was an important element of that process.

59. **Mr. Schneider** (Switzerland) said that the Secretary-General's report on updated terms of reference for IAAC and the related observations of ACABQ formed a good basis for a long-overdue decision on that issue. He welcomed the streamlined formulation of the terms of reference, which reflected the purely advisory role of IAAC and were the outcome of extensive consultations with OIOS and the Board of Auditors. The concerns expressed by the Board about the risk of overlapping functions between IAAC and ACABQ should be given careful consideration. Since the added value of IAAC depended primarily on the expertise of its members, the qualifications required must be clear and verifiable. The proposed technical assessment of candidates by an international independent organization should enable the General Assembly to select the best-qualified candidates and ensure their independence, but the proposed criteria were hard to measure and therefore formed a weak basis for the envisaged assessment.

60. He welcomed the new funding arrangements for OIOS set out in annex I to document A/61/810, and commended the Secretary-General for his swift action on that issue. The objective of changing the existing funding mechanism was very clear: to make OIOS operationally independent by making it financially independent of the Secretariat entities it audited. In accordance with best practices, the OIOS budget should be prepared in accordance with a risk tolerance level determined by the General Assembly without any substantial involvement on the part of the Secretariat. Since there was a discrepancy between the Secretary-General's proposals and the recommendations of ACABQ, his delegation stood ready to engage in constructive negotiations with a view to finding the best possible solution.

61. **Mr. Taula** (New Zealand), speaking also on behalf of Australia and Canada, said that the revised terms of reference for IAAC went a long way towards resolving the ambiguities in the draft presented the previous year, in particular by making clear the purely advisory role envisaged. The specific textual changes suggested by ACABQ could be clarified in informal consultations. In his view, the main issues were the scope of IAAC responsibilities, measures to ensure the required expertise and the selection process.

62. While he was open to the argument of ACABQ that the scope of IAAC should be broadened to embrace the full range of OIOS activities, he also saw merit in a sharp technical focus. The scope of IAAC should not be so broad as to prevent the definition of clear and verifiable qualifications for membership. The selection process was critical to a good result. Ultimately, the decision lay with Member States. He was open to a range of means of identifying possible candidates, but stressed the importance of independent expert verification of qualifications.

63. With regard to the strengthening of OIOS, he appreciated the clear vision set out by the Under-Secretary-General for Internal Oversight Services in

the OIOS response to the report of the Steering Committee for the Comprehensive Review of Governance and Oversight within the United Nations and its Funds, Programmes and Specialized Agencies (A/60/883 and Add.1 and 2) and the restraint with which she had used the supplementary resources provided at the end of 2005. While he was open to proposals to shift resources to inspection and evaluation functions, he recalled that the General Assembly had approved the 39 general temporary assistance positions for specific purposes. The requirements should be considered comprehensively in the light of both the proposed 2008-2009 budget and the outcome of the review of the investigation function. In the meantime, the Advisory Committee's report on the strengthening of OIOS (A/61/880) provided a clear path forward regarding which posts to establish.

64. With regard to the budget process for OIOS, the need to ensure the operational independence of OIOS was a long-standing concern. He envisaged a continuing role for the Secretary-General in the preparation of the budget, given that OIOS remained an arm of the Secretariat. However, operational independence could be secured through the envisaged role of IAAC, which would review the OIOS workplan and budget and advise the General Assembly accordingly. Operational independence could be further enhanced by the proposal to give OIOS the flexibility to manage its budgetary resources as a pool and deploy them in accordance with evolving risk.

65. **Mr. Rashkow** (United States of America) said that IAAC was intended to assist the General Assembly in discharging its oversight responsibilities with respect to OIOS, in particular by providing technical advice to the Assembly on the scope, results and cost-effectiveness of OIOS audits, evaluations and investigations; providing technical advice to enhance coordination among OIOS, the Joint Inspection Unit and the Board of Auditors; and enhancing managers' compliance with OIOS recommendations.

66. The December 2005 decision by Member States to establish IAAC reflected a shared commitment to ensuring effective oversight of the United Nations. Yet some delegations were now concerned that IAAC could become an unnecessary layer of bureaucracy whose functions would not improve oversight of United Nations activities. His delegation disagreed with that view, provided that Member States gave IAAC real and effective terms of reference. In his view, IAAC would build confidence by independently confirming that the Organization's internal oversight mechanism was carrying out its mandate effectively; help shed light on the Organization's challenges and vulnerabilities; and empower Member States to fulfil their oversight responsibilities, aided by independent expert advice. Given the important role that IAAC would play in providing technical advice to Member States, his delegation agreed with ACABQ that candidates nominated to serve on IAAC should possess the highest level of integrity and a high level of relevant technical training, including financial, audit, evaluation and investigation experience.

67. His delegation agreed with most of the conclusions and recommendations contained in the Advisory Committee's report on the strengthening of OIOS (A/61/880). For example, his delegation endorsed the proposal to transfer the management consulting function and corresponding posts from OIOS to the Department of Management and believed that the incumbents currently carrying out that function should not be penalized or disadvantaged by virtue of the transfer. With regard to the conversion of 39 general temporary assistance positions to established posts, his delegation would have preferred a different profile of functions to be performed. It could, nonetheless, support the Advisory Committee's position and recommendations on the matter.

68. In resolutions 48/218 B and 59/272, Member States had affirmed their commitment to the full operational independence of OIOS. The Secretary-General's proposal would fulfil that commitment by mandating that the Department of Management should not provide comments or substantive input on OIOS budget proposals. The Advisory Committee suggested a different approach to achieving the same objective. His delegation continued to support the Secretary-General's proposal, but was prepared to discuss the Advisory Committee's recommendation on the understanding that it, too, fulfilled the General Assembly's commitment to ensuring the operational independence of OIOS.

69. **Mr. Cho** Hyun (Republic of Korea) said that the success of IAAC would depend largely on the ability of Member States to draw up clear terms of reference. The Secretary-General's report on the updated terms of reference for IAAC (A/61/812) provided a good basis for building consensus in that regard.

70. His delegation believed that IAAC should be authorized to examine the full range of OIOS functions, not just the audit function, so as to fully implement its mandate to assist the General Assembly in discharging its oversight responsibilities (resolution 60/248). His delegation therefore supported the ACABQ recommendation that paragraph 2 (a) of the updated terms of reference should be revised accordingly.

71. Preventing IAAC functions from overlapping with those of other oversight entities was a prerequisite for its success. His delegation therefore agreed with ACABQ that providing advice to the General Assembly on the integrity of the audited financial statements of the United Nations should remain within the purview of the Board of Auditors. His delegation also agreed that the effectiveness of IAAC would depend on the expertise of its members, and looked forward to discussing membership criteria in informal consultations.

72. Concerning the strengthening of OIOS, his delegation reiterated that reforms should be predicated on the understanding that OIOS, an internal oversight body, was part of the Secretariat and discharged its mandates, as conferred by the General Assembly, under the authority of the Secretary-General. His delegation agreed with the Advisory Committee that the Secretary-General, as chief administrative officer, should continue to have responsibility for budgetary matters pertaining to OIOS.

73. Lastly, Member States should pay close attention to the reports of the Secretary-General on revised estimates to the programme budget for the biennium 2006-2007 (A/61/610) and new funding arrangements for OIOS (A/61/810), as they were closely related to the future direction of OIOS reform.

74. **Mr. Matsunaga** (Japan) said that the operationalization of IAAC was long overdue. Member States should address and act upon its terms of reference expeditiously. Once operationalized, IAAC would enhance the operational independence of OIOS considerably. As observed by ACABQ there was merit in having IAAC undertake an expert technical review of the oversight budget and advise the Assembly, through ACABQ, of its findings and recommendations. His delegation therefore agreed that IAAC recommendations on OIOS budget proposals should be submitted through the Advisory Committee.

75. Proposals for the strengthening of OIOS, meanwhile, must be based on an accurate understanding of the Office's purpose and functions, as spelled out in paragraph 5 of General Assembly resolution 48/218 B. As an internal oversight body, OIOS was part of the Secretariat and discharged the mandates conferred by the Assembly under the authority of the Secretary-General. As clearly stated in paragraph 69 of the relevant ACABQ report (A/61/605), the necessary ability of OIOS to report to the General Assembly as it deemed necessary, or the access of Member States to its reports, did not derogate from the Office's responsibility to work as a support for management in its efforts to improve the functioning of the Secretariat. The General Assembly had endorsed those and other conclusions and recommendations to the same effect.

76. The Secretary-General's reports on revised estimates to the programme budget for the biennium 2006-2007 (A/61/610) and new funding arrangements for OIOS (A/61/810) were based on the OIOS report on proposals for strengthening OIOS (A/60/901). That document had not yet been addressed or acted upon by the General Assembly. However, any deliberations or decisions concerning resources must be preceded by a thorough discussion of policy considerations.

77. In its report (A/60/901, para. 44), OIOS proposed basing its programme of work and budget on risk assessments, but also conceded that the risk assessment framework had not yet been fully implemented. As noted by the Advisory Committee (A/61/605, para. 80), formulating a budget for OIOS based on risk management was therefore a medium- to long-term goal. It was incumbent on the Secretariat, including OIOS, to present a full and comprehensive description of the methodology to be used and the status of its implementation.

78. The Advisory Committee agreed with the Steering Committee for the governance review (A/61/605, para. 68) that management should acknowledge its responsibilities for setting risk tolerance, implementing controls and managing risk, as that would clarify the responsibilities of management in those areas. Risk management, which should be at the heart of the internal control framework, required strong leadership on the part of the Secretary-General and unequivocal commitment and ownership on the part of programme managers, who were ultimately responsible for its effectiveness. In that regard, the

Advisory Committee had stressed time and again that OIOS and management must cooperate, with management assuming responsibility in assessing and managing risk and OIOS providing objective assurance and support to management in the process.

79. With a view to strengthening internal controls, the establishment and implementation of a risk management framework should be led by the Secretary-General, not implemented in a fragmented manner. His delegation wished to express its concern, therefore, at the approach set out in the OIOS report on proposals for strengthening OIOS (A/60/901) and subsequent reports of the Secretary-General.

80. In its resolution 61/245, the General Assembly had requested the Secretary-General to submit a report on enterprise risk management and the internal control framework. The Advisory Committee had recommended that the Secretary-General should be requested to proceed with the development of the related terms of reference, bearing in mind the Secretary-General's responsibilities in relation to risk management and internal controls, as noted in paragraph 39 of the Advisory Committee's report (A/61/605).

81. With regard to proposed funding arrangements for OIOS, his delegation supported the relevant conclusions of the Advisory Committee. The Secretary-General, as the chief administrative officer of the Organization, should continue to be responsible for presenting the budgetary requirements of OIOS. The arrangement proposed in the Secretary-General's report (A/61/810) was more likely to significantly undermine the integrity of the budget review process than to help enhance the operational independence of OIOS. His delegation concurred with the Advisory Committee that the operational independence of OIOS would be secured through the examination of its workplan and review of its budget by IAAC.

82. Lastly, his delegation also concurred with the Advisory Committee's conclusions and recommendations regarding the revised estimates to the programme budget for the biennium 2006-2007 (A/61/610).

83. **Mr. Berti Oliva** (Cuba) said that the Advisory Committee's report on the strengthening of OIOS (A/61/880) was a good basis for negotiations. The issue must be addressed in light of the mandate given to OIOS in resolution 48/218 B and the fact that OIOS, as an internal oversight body, was part of the Secretariat and under the authority of the Secretary-General. His delegation would oppose any proposal that was not in line with those parameters.

84. More information should be provided in informal consultations regarding the proposed conversion of 39 general temporary assistance positions to established posts, as no clear justification seemed to have been provided; his delegation shared the concerns raised in paragraph 16 of the Advisory Committee's report (A/61/880). His delegation also shared the views expressed in paragraph 38 of that report, as it saw no need to authorize the Secretary-General to enter into commitments of up to $8 million per year to meet unforeseen expenses for oversight services. His delegation hoped that there would be no unnecessary discussions about changing the name of OIOS.

85. Lastly, his delegation would appreciate more information regarding the independent review of the investigation function that the Under-Secretary-General for Internal Oversight Services had mentioned in her statement. He was particularly curious to know who was conducting the review and when the Committee could expect to receive the results.

The meeting rose at 12.05 p.m.